

14 When is a minimum wage most likely to help reduce the problem of income inequality?

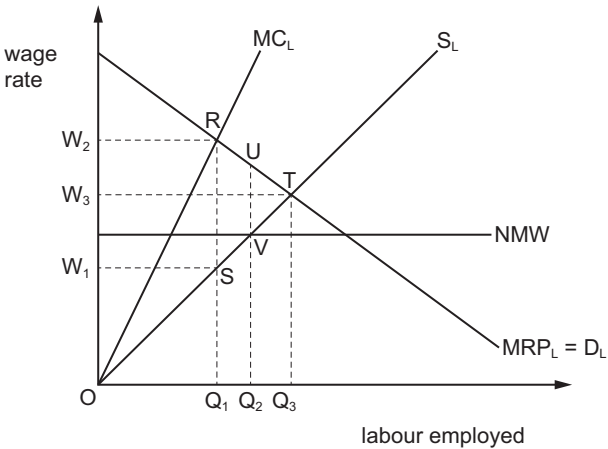
- A Higher paid workers maintain pay differentials.
- B Labour mobility is low.
- C The informal economy is small.
- D The minimum wage leads to increased unemployment.

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10 Which policy is most likely to contribute to people ending up in a poverty trap?

- A legal minimum wage
- B means-tested benefits
- C prevention of cheaper imports
- D proportional taxation

12 The diagram shows the effect of introducing an effective national minimum wage (NMW) in a labour market with a profit maximising monopsonist employer.



What is the effect of the NMW on the deadweight welfare loss in this market?

- A It falls from RST to UVT.
- B It falls from RSVU to UVT.
- C It rises from UVT to RST.
- D It rises from UVT to RSVU.

18 What is a likely consequence of an increase in government spending on education?

- A increase in the supply of unskilled labour
- B increase in occupational mobility
- C increase in the rate of unemployment
- D increase in trade union power

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9 There has been an increase in labour productivity.

Which combination of effects is most likely?

|   | shift of demand curve for labour | shift of supply curve for labour | effect on wage rate |
|---|----------------------------------|----------------------------------|---------------------|
| A | none                             | inward                           | increase            |
| B | none                             | outward                          | decrease            |
| C | inward                           | none                             | increase            |
| D | outward                          | none                             | increase            |

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10 There is a decrease in the supply of female labour.

What will the likely effect on male and female wages be?

|   | male wages | female wages |
|---|------------|--------------|
| A | decrease   | decrease     |
| B | decrease   | increase     |
| C | increase   | decrease     |
| D | increase   | increase     |

11 A government introduces a national minimum wage.

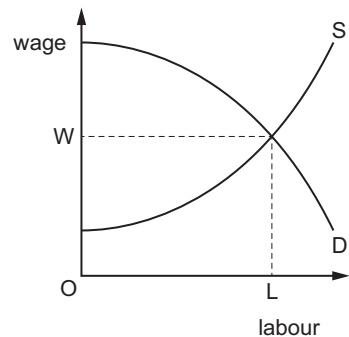
What is **not** a benefit of this to the economy?

- A It boosts the morale of workers and enhances labour productivity.
- B It raises incomes of poorer workers.
- C It reduces government spending on welfare payments.
- D It reduces structural unemployment.

13 Which combination of policies is most likely to reduce the number of low-paid workers caught in the poverty trap?

|   | individual's tax-free allowance for income tax | national minimum wage in real terms |
|---|------------------------------------------------|-------------------------------------|
| A | decrease                                       | increase                            |
| B | decrease                                       | unchanged                           |
| C | increase                                       | increase                            |
| D | increase                                       | unchanged                           |

14 The diagram represents the demand and supply of labour in a competitive industry.



What is true about unit of labour L when they are paid wage W?

- A L is paid only economic rent.
- B L is paid an element of economic rent and transfer earnings.
- C L is paid below transfer earnings and leaves the industry.
- D L is paid exactly transfer earnings and remains in work.

18 Which government policy is least likely to promote inclusive economic growth?

- A increasing the national minimum wage
- B investment in transport and infrastructure
- C legislation reducing the power of trade unions
- D using taxes and transfer payments to redistribute income